

BUDGET, FINANCE & INVESTMENT COMMITTEE

May 18, 2011

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Charlie Baum
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Joyce Ealy, Chrm.

Others Present:

Ernest Burgess
Mike Williams
Lisa Nolen
Merry Hickerson
Mac Nolen
Jeff Sandvig
Elaine Short

Chairman Ealy presided and called the meeting to order with all members being present.

The purpose of the meeting was to review the 2011-12 budgets for the Highway Fund, Solid Waste/Sanitation Fund, and the General Debt Service Fund.

2011-12 HIGHWAY FUND BUDGET:

Mr. Mike Williams, Highway Superintendent, was present to answer questions regarding the 2011-12 Highway Fund budget.

Chairman Ealy reminded the committee that the County Mayor did not make a recommendation on the Highway Fund, and the budget was sent to the Budget Committee with a recommendation from the Road Board.

The Finance Director advised that the estimated 2011-12 revenue for the Highway Fund totaled \$7,930,816, which included an additional one-half cent on the property tax rate going into the fund from the Ambulance Fund. She explained the Highway Certification Worksheet, which provided the formula for calculating whether or not the county was meeting the maintenance of effort regarding local revenue going into the Highway Fund. The maintenance of effort is based on a five-year average of local revenue, which reflected that at least \$4.3 million in local revenue must be allocated to the Highway Fund in 2011-12. She explained that moving one-half cent on the property tax rate from the Ambulance Service Fund to the Highway Fund would generate sufficient revenue.

The Finance Director reminded the committee that the reduction in the Local Option Sales Tax due to paying back the City of Murfreesboro for sales tax distributed to the county in error would cause a significant decrease in revenue.

The Finance Director reported that the county was also in the process of checking to see if there were any business that were reporting their sales tax to other entities, when in fact it should be reported as a Rutherford County business.

Mayor Burgess advised that another decrease in the revenue for the Highway Fund was the continued decrease in the mineral severance tax.

The Finance Director stated that another reduction in the revenue was the decline of investment income.

The committee questioned the fact that the property tax was allocated to the Highway Fund for public works.

The Finance Director explained that it did not matter that the property tax was designated for public works, because that was a part of the Highway Fund budget, it became a factor in calculating the maintenance of effort.

Mr. Williams explained that the 2010-11 estimated appropriations totaled \$9,392,505. The 2011-12 estimated appropriations totaled \$9,329,445, which was a reduction of \$63,060. He advised that some increases to the proposed budget included a \$45,000 increase for salt. He reported that all of the salt supply was depleted last year.

Comm. Jordan questioned the amount being budgeted for asphalt at \$150,000, which was the same as the previous year. He stated that the price of asphalt was increasing.

Mr. Williams agreed that it was increasing, and advised that the department would not be able to pave as much. He stated that if gasoline prices went down, the cost of asphalt would probably decrease, as well.

Mr. Williams explained that another significant increase to the budget was in Account 131-65000-399, Other Contracted Services, which increased from \$7,500 to \$50,000. This was budgeted in the Public Works portion of the budget. Mr. Williams explained that there was an area off of the Old Nashville Highway where they were proposing to install some injection wells. He explained that Eric Hill had been working on a study with Dr. Ogden to determine if that was feasible.

Mr. Williams advised that the proposed budget included a step increase for each employee, and the workforce had been reduced from 67 employees to 64 employees to help accomplish that. He reported another decrease to the budget was reflected in Account 131-68000-714, Highway Equipment, which was reduced from \$437,716 to \$300,000.

Comm. Jordan asked about the progress of converting the road signs to the larger signs.

Mr. Williams advised that the signs were approximately 75% to 80% complete.

Following review, Comm. Peay moved, seconded by Comm. Sandlin to approve the 2011-12 Highway Fund budget with estimated revenue totaling \$7,930,816 and proposed appropriations totaling \$9,329,445 as recommended by the Road Board. The motion passed by voice vote with Comm. Jernigan voting "pass".

SOLID WASTE/SANITATION FUND:

Mr. Mac Nolen, Solid Waste Director, was present to answer questions regarding the 2011-12 Solid Waste budget.

The Finance Director reported that the estimated 2011-12 revenue totaled \$2,304,000. She explained that the Solid Waste Fund received 60% of the sales tax revenue generated in the rural area. She explained that paying back the sales tax that was distributed to Rutherford County in error would hurt this fund the most. Mrs. Nolen explained that typically she would have allocated \$1.2 million in sales tax revenue to the Solid Waste Fund. The 2011-12 estimate for sales tax revenue was \$504,000. This would result in using approximately \$1.4 million of the Assigned Fund Balance. The estimated beginning fund balance at July 1, 2011 was \$3,749,000. The estimated ending fund balance at June 30, 2012 was \$2,375,429.

Mayor Burgess advised that his recommendation for the 2011-12 Litter Grant budget totaled \$129,262. He explained that this was a continuation budget.

The County Mayor's recommendation for the 2011-12 Convenience Centers budget totaled \$2,408,265. He explained that the salary line items included the expected step increases. Account 116-55732-149, Laborers, budgeted at \$393,994 included a 50 cents per hour increase for the part-time convenience center attendants. Account 116-55732-402, Asphalt, increased by \$10,000 in an effort to continue the paving of the convenience center locations. Account 116-55732-718, Motor Vehicles, was budgeted at \$266,000 to provide funding to purchase two trucks. Mayor Burgess advised that in the event that the Lascassas location could be moved, Account 116-55732-724, Site Development, reflected an increase from \$25,000 to \$125,000.

The County Mayor's recommendation for the 2011-12 Recycling budget totaled \$113,085. Mayor Burgess explained that this budget provided funding mainly for electronic recycling at the Haley Road site. He explained that Account 116-55739-312, Contracts with Private Agencies reflected a reduction from \$254,330 in 2009-10 to \$47,000 in 2010-11 to \$10,000 in 2011-12. He explained that the reduction was possible because the county was doing the hauling of the recycled materials internally with the same staff and the same number of trucks. He stated that only occasionally was it necessary to use outside services for the hauling.

The County Mayor's recommendation for the 2011-12 Landfill Operations & Maintenance budget totaled \$753,219. Account 116-55754-359, Disposal Fees, reflected an increase from \$183,000 to \$235,000 for the disposal of tires. Mayor Burgess explained that the expenditures for electricity and propane gas had been consolidated into Account 116-55754-452, Utilities.

The County Mayor's recommendation for the 2011-12 Postclosure budget totaled \$195,000. Mayor Burgess explained the increases and decreases to the budget advising that Account 116-55770-499, Other Supplies and Materials, was a new line item to this budget with proposed expenditures of \$15,000.

The Finance Director advised that the recommendation for the Employee Benefits category totaled \$39,040 and the recommendation for the Miscellaneous category totaled \$39,700.

The mayor's recommendation for the estimated expenditures for the 2011-12 Solid Waste/Sanitation Fund totaled \$3,677,571.

Comm. Jernigan moved, seconded by Comm. Shafer to approve the County Mayor's recommendation for the 2011-12 Solid Waste/Sanitation Fund with estimated revenue totaling \$2,304,000 and the proposed appropriations totaling \$3,677,571. The motion passed unanimously by acclamation.

2011-12 GENERAL DEBT SERVICE FUND:

The Finance Director advised that the 2011-12 estimated revenue for the General Debt Service Fund totaled \$60,549,211, and the estimated appropriations totaled \$62,417,195. She reported that it was being proposed to use \$1,867,984 of the fund balance. The estimated beginning fund balance at July 1, 2011 was \$33,550,000, and the estimated ending fund balance at June 30, 2012 was \$31,682,016.

The Finance Director explained that a \$21 million note would be coming due next year, and the proposed appropriations included a \$21 million refunding with \$1 million being proposed to be paid off and the remainder refunded. Secondly, the expenditures also include an estimated education interest payment of \$1.8 million to be paid in the spring of 2012 from a bond issue that would probably be conducted in the fall of 2011.

Mrs. Nolen advised that at the regular Budget Committee meeting on June 9, she would be requesting approval of a \$15 million inter-fund capital outlay note to provide interim financing to begin Stewarts Creek High School. She explained that she did not anticipate spending \$15 million before the bonds were issued, but it would provide some flexibility from the time the bids were let until the time the bonds were issued. She explained that by August, the School Board should know the entire cost of the project, and at that time the commission could decide what other projects they wanted to consider. She explained that something else for the committee to consider would be whether to borrow all of the money for the project at one time, or to borrow only half of the amount needed with another borrowing to follow the next year for the remainder of the funding needed to complete the project.

The Finance Director distributed copies of Standard & Poor's credit rating of Rutherford County for the November, 2010 bond issue. The rating was an AA+ stable rating. She brought to the committee's attention Standard & Poor's outlook for Rutherford County which stated, "The stable outlook reflects our view of the county's track record of conservative financial management, which will likely allow the county to sustain its sound financial position as it experiences

operating pressures associated with the economic slowdown. The outlook also reflects our expectation that the county's capital needs will remain limited and that its overall debt burden will remain moderate. Should the county's unreserved general fund reserve decline substantially, we could take a negative rating action."

Comm. Jordan stated that Standard and Poor's wanted the property tax rate increased instead of using fund balance. He stated if the property tax was not increased, the bond rating might decline, but by the same token, if property taxes were increased, it affected the citizens.

The Finance Director stated that her point would be that Rutherford County was still within its policy.

Comm. Jordan stated that the policy was to keep the fund balance reserves for bad times. He stated that he believed the county was experiencing bad times. He stated that he did not have a problem with drawing down the fund balance.

Following review, Comm. Jordan moved, seconded by Comm. Peay to approve the 2011-12 General Debt Service Fund with estimated revenue totaling \$60,549,211 and estimated appropriations totaling \$62,417,295. The motion passed unanimously by acclamation.

REVIEW ANY BUDGETS AS NECESSARY:

Comm. Shafer stated that he would like to review the 2011-12 proposed funding for the volunteer fire departments and the rescue squads.

Comm. Shafer moved, seconded by Comm. Peay to increase the funding for the La Vergne Rescue Squad from the recommended amount of \$30,000 to \$40,000 to be the same as the funding for a standard volunteer fire department.

Comm. Shafer stated that the La Vergne Rescue Squad was the only rescue unit in La Vergne and on the interstate and were readily available.

Comm. Baum asked Mayor Burgess what the rationale was for recommending a lower amount for the La Vergne Rescue Squad.

Mayor Burgess explained that it began by the City of La Vergne stating that they were going to take full responsibility for extrication. The City of La Vergne had proposed to reduce their contribution to the La Vergne Rescue Squad by \$20,000. Therefore, since the City of La Vergne was going to take over extrication, he recommended the contribution from the county be reduced to zero. After various discussions, the City of La Vergne decided not to reduce their contribution to the La Vergne Rescue Squad and to keep it at the same level of \$40,000. Mayor Burgess stated that since 95% of the jurisdiction was in the City of La Vergne, and the City of La Vergne was going to keep their contribution level, he decided to also recommend that the county's contribution remain level at \$30,000.

Comm. Shafer advised that the City of La Vergne contributed \$40,000 to the rescue squad as well as provided fuel for them.

Comm. Sandlin stated that he believed the mayor was exactly on point with his recommendation. He stated that he believed that it was appropriate to include funding for the La Vergne Rescue Squad at \$30,000.

Following discussion, the motion to increase the 2011-12 funding for the La Vergne Rescue Squad from the recommended amount of \$30,000 to \$40,000 to be the same as the funding for a standard volunteer fire department passed by roll call vote with Commissioners Baum, Jernigan, Peay, and Shafer voting "yes"; and Commissioners Jordan, Sandlin, and Ealy voting "no".

The total amount being recommended for Account 101-54320-399, Other Contracted Services, in the 2011-12 County Fire Department budget was \$370,000.

ADJOURNMENT:

Chairman Ealy reminded the committee that the joint meeting with the Health & Education Committee to review the 2011-12 schools' budgets would be on Tuesday, May 24 at the Board of Education's Central Office.

The Finance Director advised that it might not be necessary to meet on June 2, if the committee was prepared to make the recommendation for the budget publication at the meeting on May 31.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:34 P.M.

Elaine Short, Secretary